

February 9, 2009

Jennifer J. Johnson  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: [Docket No. R-1340] Proposed Regulations under the  
Mortgage Disclosure Improvement Act; 73 Fed. Reg.  
74989-74999 (Dec. 10, 2008)

Dear Ms. Johnson:

Edgemont Neighborhood Coalition submits the following comments in response to the request by the Board of Governors of the Federal Reserve System for public comment.

We support limiting waivers of disclosures of early disclosures to real emergencies, and advise against any waiver of redisclosures. We urge full disclosures on Home Equity Lines of Credit.

EDGEMONT NEIGHBORHOOD COALITION, INC.

Edgemont Neighborhood Coalition, Inc. is a nonprofit community organization located at 919 Miami Chapel Road, in Dayton, Montgomery County, Ohio. The group consists of residents of the Edgemont neighborhood, a low-income African American neighborhood in Dayton, who have associated in order to foster pride in their neighborhood and address the issues of crime, youth and adult joblessness, inadequacy of educational opportunities, affordability of utilities, and business and community development.

One issue of importance of the Edgemont Neighborhood Coalition, Inc. has been the availability of affordable financial services in the community. Edgemont has been active in Community Reinvestment Act activities in order that residents have access to mainstream financial services at mainstream prices, and not be relegated to high-cost "fringe lenders" such as "subprime" mortgage lenders, payday lenders, rent-to-own vendors and pawnshops.

In furtherance of these goals, Edgemont has commented on proposed regulations by federal agencies and has appeared as amicus curiae in court cases involving payday lending and predatory mortgage lending. Edgemont has cosponsored conferences concerning payday lenders and their effects on

the community. Edgemont supports the work of the National Community Reinvestment Coalition and of the Community Reinvestment Institute Alumni Association here in Dayton.

In addition to being a community organization, Edgemont Neighborhood Coalition, Inc. functions as a small business, operating an office, community garden and community computer center.

#### LOCAL CONCERNS

Our neighborhood has suffered from the foreclosure crisis in Ohio, as well as from the economic crisis that has resulted from the too many bad mortgages that were permitted by loose laws and loose enforcement. It has been too easy to get people into bad loans and too difficult for people to know what better loans their loans might be compared to.

#### COMMENTS ON THE PROPOSED CHANGES

Two particular problems have been 1. bait and switch tactics by loan originators, where customers are told to expect one kind of loan and are given a less desirable loan (higher interest, variable rate, less cash) at closing; 2. use of "Home Equity Lines of Credit" as a substitute for a closed end mortgage. This allows the lender to take advantage of "Open End Credit" disclosure rules and thereby avoid disclosing the probable payments and the total cost of the loan. Such loans often eventually result in large unexpected payment increases.

We are also concerned with the ease that lenders can slip "waivers" of many borrower rights into the pile of loan documents. Borrowers do not notice or understand these waivers or review them at closing. Generally people do not understand the importance of the rights being waived until a problem arises.

Accordingly we support:

1. Requiring that "early disclosures" be given to all borrowers.
2. Limiting waivers of "early disclosures" to real emergencies. Otherwise lenders will change the APR before closing and get waivers whenever they want. Requiring the borrower to write this waiver by hand is a good idea as it gets the borrower's attention.

3. Prohibiting waiver of the "redisclosure" requirement when there will be significant changes in loan terms. The statute does not allow this waiver.
4. Requiring early disclosures for Home Equity Lines of Credit. These are widely used for second mortgages and some lenders use them for first mortgages as well.
5. Requiring Home Equity Lines of Credit to disclose the expected total of payments, finance charge and payment schedule, when the loans are substantially the same as closed end loans because they give most of the money at the time of the loan and do not as a practical matter allow continuous advances, require payments that are the same as closed-end loan payments would be, or otherwise provide low "teaser rate" payments for a short portion of the loan term.

Thank you for your attention to our comments.

Sincerely,

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